Sparks fly during construction of a massive gathering system to accommodate production from the Haynesville Shale in northwestern Louisiana.
CK’S RESERVES/PRODUCTION

**RESERVES**

- Risked unproved reserves
- Proved undeveloped reserves
- Proved developed reserves

**PRODUCTION**

- Oil production
- Natural gas production
- Estimated oil production
- Estimated natural gas production
- Average operated rig count
- Estimated rig count

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**CHK’S OPERATING AREA MAP**

- Barnett Shale
- Fayetteville Shale
- Marcellus Shale
- Haynesville Shale
- Anadarko Basin
- Arkoma Basin
- Delaware Basin
- Sahara
- Colony, Granite & Atoka Washes
- Southern Oklahoma
- East Texas
- Haynesville Shale
- Texas Gulf Coast
- Alabama Shales
- Mountain Front
- Permian Basin

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**CHESAPEAKE ENERGY CORPORATION**

is the largest producer of natural gas in the U.S. Headquartered in Oklahoma City, the company’s operations are focused on exploratory and developmental drilling and corporate and property acquisitions in the Fort Worth Barnett Shale, Haynesville Shale, Fayetteville Shale, Marcellus Shale, Anadarko Basin, Arkoma Basin, Appalachian Basin, Permian Basin, Delaware Basin, South Texas, Texas Gulf Coast and Ark-La-Tex regions of the United States.
Doug Jacobson, Executive Vice President - Acquisitions and Divestitures, is a star in a career that uses his accounting background in non-accounting roles.

After graduating from John Brown University and the University of Arkansas, Jacobson became a CPA and spent several years with a major accounting firm auditing oil and gas companies. In 1980 he joined Samson Resources Company as Acquisitions Auditor and went on to serve in a number of capacities before being named Senior Vice President of Acquisitions and Divestitures. Then in 1999, Aubrey McClendon and Tom Ward approached him to join Chesapeake as Senior Vice President of Acquisitions and Divestitures.

“Our department is tasked to identify and assist with evaluation of acquisition opportunities in areas where we want to grow the company and potential divestitures in areas that may not be core,” said Jacobson. “Once opportunities are identified and evaluated, we negotiate the transactions and immortalize the terms into formal agreements, coordinate the due diligence and close. Once closed, we work on the transition into or out of the company, along with the various other departments impacted.”

Historically, A&D focused on acquisitions that included some level of production, and pure leasehold acquisitions had been the focus of the Land Department.

“However, as the company’s focus has changed we’ve become more active in larger acreage purchases with the assistance of Land,” Jacobson explained. “In addition, we’ve recently gotten very involved in negotiating and consummating some sizable joint venture transactions. Accordingly, the lines between A&D and Land are increasingly blurry. We work with just about every department in the company – but no department more closely than Land. They play an integral role in what we do.”

That kind of change has been the norm since Jacobson joined the company.

The move to joint ventures enabled Chesapeake to monetize part of its acquired acreage position and to bring in partners with capital to assist in its further development. In the past nine months, the A&D group has helped Chesapeake complete three landmark joint venture partnerships that will enable the company to most effectively develop valuable shale assets: with Plains Petroleum in the Haynesville Shale, BP in the Fayetteville Shale and most recently StatoilHydro in the Marcellus Shale.

It was a unique achievement: accomplishing three such immense deals on attractive terms at a time when many didn’t think it was possible.

That’s what Jacobson likes about his job.

“I enjoy the challenge of constant change, moving from one project to another,” he said. “In each transaction you’re dealing with different personalities and needs on the other side of the table. As we deal with those, one of our goals – along with getting satisfactory returns of course – is structuring win/win deals where both parties walk away happy with the arrangement.

“Focusing on that objective has benefited us through repeated transactions with the same parties.”

Chesapeake’s secret of success in A&D?

“It’s our ability to react quickly,” Jacobson answered with a smile. “Our willingness to make quick decisions is a monumental advantage. That willingness starts at the top, as Aubrey is committed to putting the company’s resources in place to allow us to be successful. It continues with the team we’ve assembled and the immeasurable assistance we get from every other department in the company.”
THE HAYNESVILLE SHALE MAY BE THE BIGGEST THING TO HIT SHREVEPORT SINCE OCTOBER 16, 1954, WHEN 19-YEAR-OLD AMATEUR SINGER ELVIS PRESLEY WALKED ONTO THE STAGE OF THE LOUISIANA HAYRIDE RADIO SHOW TO PERFORM “THAT’S ALL RIGHT MAMA.”


THE PLAY: HAYNESVILLE SHALE

PHOTOS BY BOB REDDING
The discovery required vast amounts of seismic data (3,700 miles of licensed 2-D seismic data and 53 square miles of licensed 3-D data so far), well testing and core sampling. The Chesapeake Reservoir Technology Center (RTC) in Oklahoma City provided near real-time incorporation of results and findings to help refine processes in the lab, modeling, mapping and operations.

Coordination and teamwork between geology, petrophysical, operational and RTC groups made the Haynesville Shale a reality. Now that team is working out how to efficiently apply and develop the treasure it has discovered.

A vast treasure it is: encompassing a 3.5 million acre area, this massive resource play has a total unrisked unproved net reserve potential of 29 trillion cubic feet of equivalent (tcf/e). Its total risked unproved reserve potential is more than 14 tcf/e – almost twice that of the Barnett Shale in north-central Texas, which is the nation’s current natural gas hot spot. (Continued on page 4)
Since the opening bell rang in the Haynesville Shale, the company’s rig count has risen from four to 18 at year-end 2008 in the northwestern Louisiana parishes of Caddo, DeSoto, Red River and Sabine. The play also extends into Harrison, Panola and Shelby counties of East Texas, where the first horizontal well is currently being drilled.

Today the company already has 30 producing wells in northwest Louisiana with net natural gas production of 80 million cubic feet (mmcf). More wells are coming on line weekly, with 3,000 potential net risked wells in inventory.

The typical Haynesville Shale well is 16,000 to 17,000 feet in total depth (between 10,000 and 13,000 feet of vertical and 4,800 feet of horizontal depth). Long horizontals provide greater exposure to the gas-bearing formation, and since gas in the Haynesville is high pressured, each well is expected to have higher reserves—a range of 4.5 to 8.5 billion cubic feet of equivalent (bcfe), with a reasonable midpoint of 6.5.

“We are uniquely positioned here with tremendous opportunities,” said Dave Wittman, District Manager – Haynesville Shale. “This play will have a great financial impact on our company. And in a rural area like this one, it will also have a great impact on the people who live here. A lot of landowners will benefit from our activities.”

Chesapeake currently owns or has commitments for almost 500,000 net acres of leasehold, after selling 20% of its acreage to Plains Exploration & Production Company in a joint venture completed in summer 2008. The $3.3 billion cash injection from the Plains partnership will help fund a substantial portion of the leasehold, drilling and completion costs required for development, providing exceptional finding costs of less than $1 per thousand cubic feet of natural gas equivalent.

The company is developing the Haynesville Shale with 80-acre well spacing, eight wells per section, situated on what it calls “superpads.” Each superpad, located on a section line, will be home to eight wells, each featuring a single 4,800-foot lateral oriented north to south. Gathering systems are oriented east-west along section lines. This innovative development plan provides significant advantages over traditional one-well, one-padsite development: it reduces the environmental footprint of the operation, requires fewer rig moves and helps contain location costs.

Natural gas is transported through transmission pipelines, and those in place in the Haynesville Shale are not currently adequate to move the vast quantities of gas the play will produce. As a result, Chesapeake Midstream Partners (CMP), a gathering system operation that is part of Chesapeake Energy Marketing, Inc. (CEMI), is ramping up existing gathering systems and pipelines from 170 million cubic feet per day (mmcf/d) capacity up to 1.4 billion cubic feet per day (bcf/d).

More than 300 miles of right-of-way are proposed for the area, with transmission systems designed to accommodate Chesapeake leasehold, drill site locations and future pipelines. The systems will include both high and dual pressure pipelines to minimize compression operating costs. Five compressor stations will eventually move Haynesville Shale gas, with two large 1.0 to 2.0 billion cubic feet per day (bcf/d) central facilities featuring compression and dehydration systems. The new gathering systems will position the company to connect with any new Haynesville Shale operations and interconnect with existing major interstate pipelines.

“We want to sell good, dry, clean gas,” said Joe Stockton, Midstream Operations Foreman for CMP. “The new facilities will include the newest amine treatment equipment to strip CO₂ and H₂O from the gas. The purer the gas, the cleaner it burns and the more valuable it is. We also want it pure down the pipeline, because CO₂ will corrode pipelines.”

Developing a play the size of the Haynesville Shale is time consuming and costly, but the people in the heart of the action enjoy every minute of it.

“The fun’s in the challenge,” said John Cogar, Production Supervisor, “Putting it together and watching it go through the pipe. Yes, there is huge cost and risk in this project. But it has the biggest upside imaginable – seeing our success.”
JEFF SHAFER IS AN AVID FLY FISHERMAN WHO LOVES TO BE OUT IN A TROUT STREAM. SHAFER, WHO IS MANAGER – FEE TITLES IN CHESAPEAKE’S EASTERN DIVISION, SHARES HIS AFFECTION FOR THE OUTDOORS WITH HUNDREDS OF WEST VIRGINIA STUDENTS THROUGH A PROGRAM CALLED TROUT IN THE CLASSROOM. SPONSORED BY THE KANAWHA VALLEY CHAPTER OF TROUT UNLIMITED, THE PROGRAM INTRODUCES ELEMENTARY STUDENTS TO THE OUTDOORS AND TO THE CONCEPTS OF CONSERVATION, ENVIRONMENTAL EDUCATION AND RESPONSIBILITY. ITS SUCCESS CAN BE GAUGED BY THE FACT IT HAS GROWN FROM ONE TO SEVEN SCHOOLS IN THE PAST YEAR.

By Cheryl Hudak
In classroom aquariums, students raise trout from eggs to fingerlings which are released into a nearby coldwater stream. In the process, students are responsible for filling and monitoring water tanks, feeding the fish, maintaining water quality and studying stream habitats. They also keep daily logs recording pH levels, ammonia, temperatures, any changes in the fish and feeding times, signing their names each day.

One teacher wrote: “This has been one of the most delightful experiences of my teaching career! I have been able to incorporate so many different areas of our curriculum to the tank: sequencing, predictions, drawing conclusions, keeping records, chemistry, biology and responsibility. I have several reluctant writers, but the journal entries help students communicate their thoughts on paper.”

Shafer is involved in setting up tanks and equipment in the classrooms, and remains on call to teachers and students throughout the fish-raising process.

“This is one of the most rewarding projects I’ve ever been involved in,” Shafer said. “To see the faces of those young students light up when they are telling you about their fish and showing them to you is priceless.”

Chesapeake and its employees are involved in water-related conservation efforts throughout the company’s operating areas. It is an active member of the Ground Water Protection Council, a national organization dedicated to the protection and conservation of ground water resources for all beneficial uses.

In West Virginia, Chesapeake also supports the Friends of the Cheat River project. In Arkansas, it is a major contributor to the Ozark Rivers program of The Nature Conservancy, which focuses on conservation efforts reducing siltation and sedimentation in Ozark rivers.

The company believes rivers are not only life giving, but lifestyle enhancing. As a result, Chesapeake recently helped sustain the Falcon Lake Park Project in Zapata, Texas. The 573-acre state park was created from the waters of the Rio Grande River and is home to some of the nation’s premier bass fishing. Farther north, the Oklahoma River, which flows near downtown Oklahoma City, has become an acclaimed rowing venue with the Chesapeake Boathouse hosting international regattas in an area which 10 years ago was an eyesore.

The company carries that commitment to water conservation into its day-to-day operations. Water is a critical element in bringing up oil and natural gas, particularly in unconventional plays like shales, which require horizontal wells and fracture stimulation to produce.

As Chesapeake ramps up development in shale gas plays from Texas to New York, its water requirements will continue to grow. On a per-well basis, shale wells require more water to drill and frac. However, each shale well can produce as much as five times the volume of one conventional well, so fewer wells can produce the same amount of natural gas.

Chesapeake is a staunch advocate of conscientious development, including responsible water use. In each of the 17 states where it operates, the company complies with a complex array of restrictions and regulations put in place by local, state and federal entities. It works with scores of water boards, environmental agencies and commissions as well as property owners as it searches for new and better answers to water issues.

“Our goal is to develop close relationships with each of hundreds of regulatory commissions at the state and local levels, so both the states and the company can meet our goals,” said Mike Mathis, who recently joined Chesapeake as Manager – Regulatory, Water Planning. Mathis will provide leadership and technical focus to help the company’s operations specialists as they plan and identify long-range water needs and options.

“We’ve commissioned water studies in all our major shale plays: the Haynesville, Fayetteville and Marcellus shales,” Mathis said. “We’re using those studies to provide a baseline for a similar study in the Barnett Shale. Through these studies, we are looking at the regulatory framework in each area, as well as available water sources. All this information will help as we start interacting with each regulatory community, and will make it easier to work with them in the development of long-term water plans.”

In Oklahoma, legislation was recently passed to establish a technical work group to identify supplies of “marginal quality” water – water that is too brackish or has too high a saline content for some uses such as drinking, but can be used for other purposes. The group is further charged with identifying possible uses for this low-quality water and technologies being developed to use it. A member of the Oklahoma work group, Mathis will also work with other Chesapeake environmental specialists to help undertake similar initiatives in other states.
THE TECHNOLOGY: FRACTURE STIMULATION

map it drill it

The Play Winter 2009
Almost anyone in the natural gas industry will agree that producing natural gas today is a three-part journey. As unconventional resources play increasingly critical roles in meeting U.S. energy needs, fracture stimulation (or hydraulic fracturing) has become the third leg of the long journey from exploration to production. It brings home the gas.

Hydraulic fracturing, commonly known as “fracing,” is a completion technique used by engineers to create a crack or fracture in rock that contains oil or gas, propping open the rock to let hydrocarbons flow out and up through the wellbore.

In 2007, about 50% of the total U.S. natural gas production came from unconventional resource plays such as tight sand, gas shale and coalbed methane. As one of the nation’s top unconventional operators, Chesapeake uses hydraulic fracturing techniques on approximately 99% of its wells.

“Often, completions are the key to discovering new plays,” explained Jeff Fisher, Senior Vice President – Production. “There have been a lot of bypassed rocks, known depositions considered uneconomic. New completion techniques have opened up opportunities that previously didn’t exist.”

According to Fisher, Chesapeake has fraced most wells in the hard rock plays where it operates for many years. The difference is today the company combines fracturing with horizontal drilling.

“That’s changed the game,” he said. “At one time, fracture stimulation was done to enhance well productivity. Today, in our shale plays, it’s required to have any production at all.”

The technique is used in newly completed wells to increase drainage rates and maximize field development. It is also used for already-producing wells in developed or mature fields to get the most out of existing infrastructure and maintain production rates. (Continued on page 10)
THE ENTIRE FRACING PROCESS IS HIGHLY COMPLICATED AND CAN TAKE UP TO FOUR OR FIVE DAYS TO COMPLETE. IT ALSO REQUIRES ENORMOUS PLANNING AND EXPENSE.

“The coordination required to frac a well is unbelievable,” Fisher noted. “I think fracture stimulation is perhaps the most intense operation in natural gas development. It is a carefully choreographed part of the business, as we have to coordinate fluids, pumps and sand, and monitor every aspect of the job to make necessary adjustments.”

The process is further complicated by the fact not all wells, locations or geology respond to fracture stimulation in the same way. “Not all shales are the same,” Fisher explained. “For instance, the Haynesville Shale in Louisiana is hotter, deeper and over-pressured – very challenging from an operational perspective. Of course, that high pressure means it is a very productive play, but it does require higher equipment.”

Regardless of location, depth or geology, every frac job is performed by experienced crews from companies that specialize in the procedure. It is an expensive finale to the development process, often adding $500,000 to over $1 million to each well’s cost. Without it, however, shale gas drilling would be fruitless.

Chesapeake is considered a leader in the use of hydraulic fracturing techniques.

“We’re doing a lot of the same things other unconventional operators do,” Fisher said, “but more of it and in more places; so we can transfer the technology from play to play. We understand that and use it more effectively to optimize each play. We are constantly learning and reapplying new information.”

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“Our Reservoir Technology Center helps incorporate rock sciences into our activities. We are learning more and more about fluid sensitivities and rock mechanics, and modeling through computer programs that simulate the effects of fracing. These help us understand the many variables and economic elements involved.

“We’re also learning where in a thick formation the well should land – top, middle or bottom of the formation – for maximum results. This helps us guide the wellbore exactly where we want it to be. It’s another way our core lab provides a great advantage.’

Chesapeake production teams are experimenting with microseismic technology, which allows them to monitor and see – in real time – the rock, as it cracks during the hydraulic fracturing process.

“We’ve always tried to understand exactly what happens when we do fracture stimulation,” Fisher noted. “But we can’t actually see it occur, where it is, and how effectively it opened up the reservoir. Microseismic technology may in the future give us the ability to adjust the fracturing process on the fly. Today, we can record fracs with seismic data, which provides us better information on how the fracturing process went on any specific well.”

Such information leads to innovation as operators gain experience in the powerful pairing of horizontal drilling with fracture stimulation. One such innovation is stimfracing, where more than one well is fraced at the same time. This technique offers better diversion of fluids and more complex fracturing than isolated fracs. Production is often enhanced and the operation is more efficient and cost effective as well.

While the fracture stimulation process may appear to use large amounts of water, those quantities are less imposing when compared with total water usages in an area. For example, Chesapeake drilling and completion activities at projected peak development in the Marcellus Shale will account for less than 0.06% of that region’s entire water consumption.

A typical Chesapeake well in the Barnett Shale uses about 3 million gallons of water for drilling and completion – usually just once during its projected 20-30 year lifespan. In comparison, a golf course uses about 3 million gallons of water every 10 days. The amount of water used per well varies with each area and well; but in every case, frac fluids and water are disposed of at permitted facilities or treated for re-use.

Environmental issues are of critical importance in every location where the company operates. The company meets or exceeds oil and gas regulations throughout its operations. Each hydraulic fracturing project is designed, conducted and monitored to mitigate environmental impact while maximizing natural gas production.

Natural barriers also play a role in protecting ground water. With most freshwater aquifers located less than 1,000 feet below the earth’s surface and fracturing operations conducted at levels between 4,000 and 12,000 feet below ground level, there are thousands of feet (often between one and three miles) of natural geologic barriers between Chesapeake’s productive shale formations and freshwater zones.
Simplified steps in hydraulic fracturing

1. Water, sand and additives are pumped at extremely high pressure down the wellbore.

2. The liquid goes through perforated sections of the wellbore and into the surrounding formation, fracturing the rock and injecting sand or proppants into the cracks.

3. Experts continually monitor and gauge pressures, fluids and proppants, studying how the sand reacts when it hits the bottom of the wellbore, slowly increasing the density of sand to water as the frac progresses.

4. This process may be repeated multiple times, in “stages” to reach maximum areas of the wellbore. When this is done, the wellbore is temporarily plugged between each stage to maintain the highest water pressure possible and get maximum fracturing results in the rock.

5. The frac plugs are drilled or removed from the wellbore and the well is tested for results.

6. The water pressure is reduced and fluids are returned up the wellbore for disposal or treatment and re-use, leaving the sand in place to prop open the cracks and allow the gas to flow.

The fracture stimulation process is much the same on both vertical and horizontal wells. Below, bags of proppant wait to be mixed with slurry. Later, these microfine granules will prop open cracks in the formation, allowing gas to move into the wellbore.
"WHEN YOU HIT A GOOD WELL, IT COMES IN AT A VERY HIGH RATE — AS MUCH AS 40 MMCFE A DAY. WE LIKE THOSE."

Loving County, Texas, gives new meaning to the term “wide open spaces.” Less than 100 people live in the 677-square-mile county situated just south of the New Mexico border. But those Loving County folks are not lonely, because they’re outnumbered about 10 to 1 by oil and gas wells — which have given the population in this isolated area the highest median income of any county in the United States.

Drilling 24/7 for four weeks, the Kerr Estate 28-351H well hits 11,000 feet, on its way to a projected directional depth of 16,400 feet. Above, a rig is dwarfed by the fiery desert sunset. At upper right, a yucca is the closest neighbor to this Chesapeake drillsite.
The Deep Haley field, where Chesapeake Energy brings up about 105 million cubic feet of natural gas equivalent (mmcfe) every day, is located in the Texas counties of Loving, Ward and Winkler. The company is exploring more than a million gross acres with 560,000 net acres of leasehold. Currently, Chesapeake has more than 100 producing wells in the area with spacing of one well per 640 acres, although they are starting some downsizing to 320-acre spacing.

The Deep Haley is well named, since past drilling was in zones as low as 22,000 feet beneath the surface. Today most of the company’s wells extend vertically 17,000 to 18,000 feet deep into the Atoka and Morrow zones. The area is interesting from a geologic perspective in that it contains several geologic targets within the same field, with some directional wells being drilled into the 12,000-foot-deep Bone Spring formation.

“The Deep Haley is a unique area,” said Rob Jones, District Manager - Permian. “It’s a very highly pressured tight gas sand play – with bottom hole pressures exceeding 15,000 psi. That makes it very challenging drilling, as you encounter lots of gas while drilling with heavy mud weights, up to 18 pounds per gallon, and go through weaker formations that cause loss of drilling fluid. That means it can be tedious drilling. It’s finicky – the hardest place I’ve drilled in 26 years.”

Although most of the Chesapeake wells in the field are vertical, the extremely tight formations require fracture stimulation for production. Water is trucked through the desert for fracing, and a disposal system injects saltwater produced through operations into a disposal well 6,000 feet below the ground — more than a mile beneath the area’s 300-foot freshwater table. All casings on the disposal wells are tested for safety and to ensure that saltwater cannot leach into ground water sources. It usually takes 100-120 days and costs up to $12 million to drill and complete a well in the Deep Haley, but Jones believes the effort is worthwhile.

“When you hit a good well, it comes in at a very high rate – as much as 40 mmcfe a day. We like those,” he said. “And they produce 1,000 BTU gas, very dry with no impurities.”

That’s how it is in Texas’ Deep Haley field, where the challenges are extreme, the targets are deep and the gas is sweet.
HEDGING. JUST SAY THE WORD AND MANY PEOPLES’ EYES GLAZE OVER.

Simple in concept, hedging is a technique designed to reduce or eliminate price-related risk. Chesapeake hedges its revenues by entering into agreements to lock in prices for a portion of its natural gas and oil production for a specific period of time.

“This eliminates risk, gives us more predictable earnings and cash flow and allows us to operate a more efficient drilling program, with less variability in capital spending and drilling activity levels,” said Jeff Mobley, Senior Vice President – Investor Relations and Research. “Hedging helps us be more of a price maker rather than a price taker.”

Chesapeake is one of the oil and gas industry’s most active and successful hedgers. “We use hedging programs to mitigate the risks inherent in developing and producing natural gas and oil reserves, commodities that are frequently characterized by significant price volatility,” Mobley explained. “We believe this price volatility is likely to continue in the years ahead, and we can use it to our benefit by taking advantage of times when prices reach levels we think are either unsustainable for the long term or provide unusually high rates of return on our invested capital.”

The company has been successful in meeting those goals. From 2001 through 2008, Chesapeake’s natural gas and oil hedging program has gener-
Natural gas is one of the most volatile commodities in the world. Its wide price swings are often driven by fear: fear of having too much or too little natural gas in the U.S. marketplace or in storage inventories. How this works in a nutshell:

The price of natural gas drops when the market perceives there is too much natural gas. Remember, there is limited storage for natural gas and it is not easily transported. Natural gas prices fluctuate to encourage or discourage supply and demand, in order to be sure there is adequate — but not too much — natural gas in storage each autumn in advance of the winter heating season.

The price of natural gas rises when the market perceives there is too little gas; for example, if production, storage inventories and imports cannot meet the nation’s winter heating needs and there is not enough time to refill storage before the next winter.

The weather is one of the largest variables in natural gas demand and prices can also be affected by the price of substitute fuels (think oil and coal), economic activity, geopolitical uncertainty, the activities of speculators or by other events (remember Hurricane Katrina?).
A closer look at Chesapeake’s people and progress

For the second consecutive year, Chesapeake has been named one of the 100 Best Companies to Work For® by FORTUNE Magazine.

“We are very excited and honored to be on the list again,” said Martha Burger, Senior Vice President—Human and Corporate Resources. “We work hard to be a great employer and provide programs and incentives that employees want. We hear from them every day that they love working at Chesapeake, and it’s great to receive this validation from FORTUNE.”

The list is configured for FORTUNE by The Great Place to Work Institute and the selection is a rigorous process. More than 81,000 employees complete a Trust Index® survey from the institute. The survey is a tool that measures the level of trust, pride and camaraderie in the workplace. The next part of the judging is based on an extensive Culture Audit, which is submitted by participating companies. The audit evaluates a variety of company practices from benefits and work/life balance programs to hiring practices and communication strategies.

Chesapeake told its story in the Culture Audit by featuring a number of real employee perspectives. From a very generous 401(k) matching program, 100% match up to 15% of salary in CHK stock, to Wellness Programs offered to all employees that pay them to be healthy and exercise, the audit included a series of personal testimonies from employees who love working for Chesapeake.

“Any company can say they are a great place to work,” explained Burger. “However, being on the list confirms Chesapeake as a premiere place to work, based on evidence and research. This helps us attract and retain the very best employees.”

CHK MAKES “THE LIST”
EMPLOYEES RAISE RECORD-SETTING $2.3 MILLION FOR UNITED WAY

SPONSORING A MONTH-LONG UNITED WAY FUNDRAISING CAMPAIGN ACROSS ITS 17-STATE OPERATING AREA, CHESAPEAKE EMPLOYEES PLEDGED DONATIONS, PURCHASED RAFFLE TICKETS, BID IN SILENT AUCTIONS AND PARTICIPATED IN A VARIETY OF HALLOWEEN-THEMED EVENTS. THANKS TO A 100% MATCH BY CHESAPEAKE FOR ALL EMPLOYEE CONTRIBUTIONS, THE ANNUAL CAMPAIGN RAISED A RECORD-SETTING $2.3 MILLION.

“The generosity of our employees is astounding,” said CEO Aubrey McClendon. “The amount of time, effort and contributions our work force gives to this campaign shows how dedicated our employees are to helping those in need. Their caring spirit is a driving force for our company.”

In addition to haunted houses, duck derbies and other activities, the 2008 fundraiser grew to include its first benefit concert. Featuring three-time Grammy-nominated recording artist, Jewel, and Oklahoma’s own Graham Colton, tickets were sold exclusively to Chesapeake employees. The sold-out show drew more than 1,200 people.

To celebrate the conclusion of the record-breaking campaign, each of Chesapeake’s regional offices hosted a Halloween party for employees. During the afternoon event, employees competed in a variety of costume and skit contests, as well as an assortment of party games and challenges for chances to win cash and prizes. Employees in Oklahoma City also eagerly awaited the event’s grand finale, as raffle tickets were drawn for prizes including VISA gift cards, big screen TVs, airline tickets and even three new compressed natural gas-fueled (CNG) Honda Civics.

“This is the first year the Shreveport office has been around to participate,” said Kevin McCotter, Director - Corporate Development, Louisiana. “Our employees really enjoyed the event and we’ve already heard of ‘friendly’ competitions being planned for next year’s contest.”

Chesapeake Energy and StatoilHydro, a Norwegian oil and gas company, have entered into a joint venture for development of the Marcellus Shale.

According to the agreement, StatoilHydro paid $3.375 billion for a 32.5% interest in Chesapeake’s Marcellus Shale assets in the Appalachian Basin. The assets include approximately 1.8 million net shares of leasehold, of which StatoilHydro will own approximately 0.6 million net acres and Chesapeake will own approximately 1.2 million net acres.

StatoilHydro paid $1.25 billion in cash at the closing with the remaining $2.125 billion used from 2009 to 2012 to fund 75% of Chesapeake’s 62.5% share of drilling and completion expenditures.

Chesapeake plans to continue acquiring leasehold in the Marcellus Shale play and StatoilHydro will have the right to a 32.5% participation in any such additional leasehold.

The two companies also agreed to enter into an international strategic alliance to jointly explore unconventional natural gas opportunities worldwide. StatoilHydro operates in some 40 countries and is one of the world’s largest crude oil and gas suppliers, averaging more than 1.7 million barrels of oil equivalent per day. The company’s U.S. operations are centered in the deepwater Gulf of Mexico.

Chesapeake CEO Aubrey McClendon said, “We are excited about the mutually beneficial nature of this transaction. I believe this partnership can create substantial value for both companies.”

Helge Lund, President and CEO of StatoilHydro, said, “I am pleased that we have made a strategically important move by joining forces with Chesapeake, which is the leading U.S. natural gas player. We are establishing a strong platform for further developing our gas value chain business and growing our position in unconventional gas worldwide.”

Putting the fun into fundraising, Chesapeake employees made the 2008 United Way campaign the most successful in the company’s history. Above and at right, Oklahoma City employees strut their stuff. Lower left, game show contestants in Charleston, West Virginia. Lower right, three happy Oklahoma City employees pose beside the CNG Honda Civics they won in the company’s United Way raffle.
With tremendous respect and gratitude, we thank all 7,500 members of the CHK team for once again helping us earn recognition as one of the *FORTUNE 100 Best Companies To Work For* in 2009. This honor is a reflection of a very special corporate culture. Together, we have accomplished great things and see a very bright future for Chesapeake and natural gas.